

Message Text

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ACTION EB-08

INFO OCT-01 ARA-10 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 FRB-03 H-01 INR-10 INT-05 L-03
LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15
STR-07 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01
DOE-15 STRE-00 AF-10 EA-10 EUR-12 NEA-11 /167 W
-----011711 301112Z /12

R 301021Z MAY 78
FM USMISSION GENEVA
TO SECSTATE WASHDC 0199
INFO AMEMBASSY BRASILIA

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PASS STR ELECTRONICALLY
PASS TREASURY

E.O. 11652: N/A
TAGS: ETRD, GATT, BR
SUBJECT: GATT BALANCE OF PAYMENTS CONSULTATIONS - BRAZIL

REF: STATE 135546

1. SUMMARY: BRAZIL SAID IT WAS WILLING TO UNDERGO FULL CONSULTATION IF OTHERS WANTED ALTHOUGH BRAZIL BELIEVED THEM UNWARRANTED. WE AND OTHERS ASKED FOR FULL CONSULTATIONS WHICH WILL BE SCHEDULED IN THE FALL. END SUMMARY.

2. BRAZIL DEL (BARTEL ROSA), IN LOW-KEY, BUSINESSLIKE STATEMENT, SAID THAT BRAZIL'S BALANCE OF PAYMENTS SITUATION WAS STILL PRECARIOUS AND THAT DEBT BURDEN WAS LARGE. IN ORDER TO STABILIZE DEBT BRAZIL NEEDS TO INCREASE ITS EXPORTS AND ALLOW IMPORT LEVELS TO GROW ONLY MODESTLY OVER NEXT FEW YEARS. IT IS THEREFORE NECESSARY TO MAINTAIN THE SYSTEM OF IMPORT RESTRAINTS. HE NOTED THAT
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RESTRAINTS ARE ESSENTIALLY THE SAME AS IN 1975 ALTHOUGH THEY HAVE BEEN LIBERALIZED SLIGHTLY. HE AFFIRMED THAT BRAZIL INTENDS TO LIBERALIZE FURTHER AS THE SITUATION PERMITS BUT BELIEVES THAT A FULL CONSULTATION IS NOT NECESSARY AT THIS TIME. BARTEL ROSA SAID THAT BRAZIL WOULD NOT OPPOSE A FULL CONSULTATION, HOWEVER, IF THE MEMBERS OF THE COMMITTEE DESIRED ONE.

3. WE MADE LENGTHY STATEMENT DRAWING UPON BRASILIA 3440 TO EMPHASIZE GROWING SIZE AND IMPORTANCE OF BRAZIL IN WORLD ECONOMY. WE NOTED THAT BRAZIL'S IMPORTS ARE LARGER AND SYSTEM OF IMPORT RESTRICTIONS CONSIDERABLY MORE EXTENSIVE THAN THOSE OF FINLAND, A COUNTRY THAT IS REQUIRED TO CONSULT EACH YEAR. WE ALSO NOTED THE DISCREPANCY BETWEEN THE BRAZILIAN JUSTIFICATION FOR THE RESTRAINTS IN 1976 (I.E. THEY WOULD BE LIBERALIZED ONCE A CERTAIN DEGREE OF EQUILIBRIUM IN THE TRADE BALANCE IS RESTORED) AND TODAY (THEY WILL BE LIBERALIZED AS SOON AS INCREASES IN EXPORTS MAKE IT POSSIBLE TO ABSORB THE HEAVY FINANCIAL BURDENS INCURRED BY THE BRAZILIAN ECONOMY SINCE 1973). WE DREW ATTENTION TO THE IMF 1976 STATEMENT THAT THE MEASURES WERE SHORT TERMS UNTIL MORE FUNDAMENTAL MEASURES COULD TAKE EFFECT, AND WE NOTED THE INCREASE IN RESERVES AND THE IMPROVEMENTS IN THE BOP SINCE 1975. THESE REASONS WERE SUFFICIENT TO ASK FOR REGULAR CONSULTATIONS EVEN THOUGH BRAZIL HAD CONSULTED WITH THE COMMITTEE IN THE SPRING OF 1976.

4. CANADA, AUSTRALIA AND JAPAN AGREED THAT THESE REASONS WERE SUFFICIENT TO HOLD A FULL CONSULTATION AND JOINED OUR REQUEST. THE EC SPOKESMAN NOTED THAT CRITERIA FOR DECIDING WHEN A FULL CONSULTATION IS NECESSARY ARE BEING DISCUSSED IN THE FRAMEWORK GROUP. ONE OF THESE IS THE LIMITED OFFICIAL USE

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LENGTH OF TIME SINCE THE LAST CONSULTATION. HE THOUGHT, IN A FAST CHANGING SITUATION SUCH AS BRAZIL'S, THAT THIS LENGTH OF TIME COULD BE CONSIDERABLY SHORTENED. HE SAW MERIT IN BRAZILIAN ARGUMENTS AGAINST A FULL CONSULTATION BUT ALSO FOUND OUR ARGUMENTS CONVINCING. HE FINALLY ASSOCIATED THE EC WITH THE REQUEST FOR A FULL CONSULTATION.

5. BARTEL ROSA THEN SAID THAT BRAZIL ACCEPTED THE DECISION OF THE COMMITTEE AND WOULD COOPERATE FULLY IN THE CONSULTATIONS. HE SAID THAT BRAZIL WOULD COME PREPARED FOR A COMPLETE EXAMINATION AND EXPRESSED THE EXPECTATION THAT THE CONSULTATIONS WOULD INCLUDE NOT ONLY AN EXAMINATION OF BRAZILIAN BOP AND IMPORT RESTRAINTS BUT ALSO EXTERNAL PROBLEMS OUTSIDE OF BRAZIL'S CONTROL WHICH MIGHT AFFECT BRAZIL'S BOP. VANDEN HEUVEL

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